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APA Group



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ARSN 115 585 441

ASX RELEASE

9 August 2012

The Manager

ASX Market Announcements
Australian Securities Exchange
4th Floor, 20 Bridge Street
Sydney NSW 2000

Electronic Lodgement

Dear Sir or Madam

Company Announcement

I attach the following announcement for release to the market:

- APA increases its offer for HDF

Yours sincerely

Mark Knapman
Company Secretary



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9 August 2012

APA increases its offer for HDF

APA Group (ASX:APA) today announced an increase in its offer for Hastings Diversified Utilities Fund (ASX:HDF).

Increase in offer consideration

APA's improved offer comprises \$0.62 in cash and 0.390 APA securities for each HDF security.

The implied value of the offer is \$2.51 per HDF security, based on yesterday's closing price of \$4.85 for APA securities. This is above the midpoint of the value range for HDF determined by the independent expert engaged by HDF to review the offer from Pipeline Partners Australia (PPA), which was released to ASX on 3 August 2012.

The implied value represents a premium of:

- 41.4% to \$1.78, the 5 day VWAP of HDF securities on the day before APA's original bid was announced on 14 December 2011;
- 51.5% to \$1.66, the 3 month VWAP of HDF securities on the day before APA's original bid was announced on 14 December 2011;
- 8.0% to \$2.325, the current offer from PPA.

Using the 3 month VWAP of APA securities on 8 August 2012, the implied value of APA's improved offer is \$2.56.

APA Group Chairman, Mr Len Bleasel said: "We are very pleased to be moving forwards with our bid for HDF. APA's offer is clearly superior to the Pipeline Partners Australia offer for HDF – it is now significantly higher, and is less conditional.

"It also enables HDF securityholders to retain an investment in the energy infrastructure sector, with continued distributions, while benefiting from APA's proven and high-quality management of these assets. The long-term benefits derived from the integrated APA portfolio, which will include the majority of HDF's assets, will accrue to all APA securityholders, including HDF investors who accept our offer and retain an investment in APA.

"We look forward to our improved offer being formally recommended by the independent directors of HDF."

APA's improved offer triggers the two business day notice period under which PPA has the right to match this offer in accordance with the takeover bid implementation deed between HDF and PPA. After this period the independent directors of HDF are able to publicly change, withdraw or modify their recommendation of the PPA offer and recommend APA's improved offer.



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The offer consideration will be reduced by any further HDF distributions paid to HDF securityholders during the offer period, but there is no reduction for any HDF distributions paid prior to today.

The value of APA securities, and therefore the implied value of the offer consideration, is subject to change over the offer period as a result of movements in the APA security price. Utilising HDF's independent expert's value range of APA securities of \$4.80 to \$5.00, the implied value of APA's improved offer is in the range of \$2.49 to \$2.57 which is a premium of between 7.2% and 10.5% over the PPA offer.

Since APA announced its original offer on 14 December 2011, the closing price of APA securities on each trading day has been in the range of \$4.46 to \$5.27. At all prices within that range, APA's improved offer is greater than PPA's current offer, as the implied value of APA's improved offer is in the range of \$2.36 to \$2.68; a premium of between 1.5% and 15.1% over the PPA offer.

Retain investment in the energy infrastructure sector

APA will maintain its focus on enhancing the value of its asset portfolio and delivering securityholder value. With increasing demand for gas in Australia, the combined group will be well positioned to grow sustainably and deliver secure and reliable financial performance to the benefit of all APA securityholders.

Furthermore, APA intends to continue to pay distributions from operating cash flow with a view to growing distributions over the longer term. If APA's offer succeeds, and the offer consideration is paid on or before 31 December 2012, HDF securityholders who still continue to hold APA securities will also receive APA's FY13 interim distribution.

Reduction in offer conditions

Since the Announcement Date, APA has waived a number of the conditions set out in section 10 of its Bidder's Statement, including the following key conditions:

- condition (b) – Foreign Acquisitions and Takeovers Act;
- condition (c) – ACCC approval, which required that the Bidder receive clearance from the ACCC; and
- conditions (l) and (m) – Change of control (other than relating to financing arrangements).

APA has also announced an intention to waive condition (a) (90% minimum ownership) once it has obtained a relevant interest in more than 70% of HDF securities.

APA would be prepared to waive condition (s) (payments to and undertaking by the HDF Responsible Entity) of its offer if Hastings Fund Management Limited (HFML) as responsible entity makes an announcement that it agrees to limit its performance fee for the period ended 30 June 2012 to \$50 million, and agrees that it will not accept any performance fee for any period commencing on or after 1 July 2012 while the APA offer remains open or APA has a relevant



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interest in more than 50% of HDF securities. HFML has agreed to this arrangement in relation to the PPA offer.

HDF is working with PPA to seek appropriate waivers under Epic Energy's financing arrangements that would result in the change of control provisions in the financing arrangements not being triggered. If HDF agrees to work with APA in a similar fashion and such waivers are obtained in relation to APA, APA will waive the conditions relating to change of control in HDF's financing arrangements (conditions (j) and (k) of the offer).

APA does not intend to rely on any of the breaches that have already occurred in relation to its other bid conditions to end its offer where it is already aware of those breaches.

Supplementary Bidder's Statement

Formal notices varying the offer and waiving the conditions will be lodged soon. APA also intends to lodge and send to HDF securityholders a detailed supplementary bidder's statement including updated financial information that reflects the increased consideration and other relevant material including risks that HDF securityholders should consider in respect of this offer.

Next steps

The offer is scheduled to close at 7.00 pm (Sydney) on 4 September 2012 unless extended.

APA encourages HDF securityholders to read the detailed supplementary bidder's statement carefully. Instructions on how to accept the offer, together with a personalised Acceptance Form, will be included with this statement.

If HDF securityholders have any questions in relation to the offer, they can contact the APA Offer Information Line on 1800 129 431 (within Australia), or +61 2 9280 7731 (outside Australia).

For further information please contact:

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About APA Group (APA)

APA is Australia's largest natural gas infrastructure business, owning and/or operating more than \$8 billion of gas transmission and distribution assets. Its pipelines and assets span every state and territory on mainland Australia, delivering 50% of the nation's gas usage. Unique amongst its peers, APA has direct management and operational control over its assets and the majority of its investments. APA also holds minority interests in energy infrastructure enterprises including Envestra, SEA Gas Pipeline, Hastings Diversified Utilities Fund and Energy Infrastructure Investments.

For more information visit APA's website, www.apa.com.au

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APPENDIX – Value of APA's improved offer

APA security price	Implied value of the Offer Consideration			Implied premium of the Offer Consideration		
	Value of APA security	Cash	Total offer consideration	To 5 day VWAP* of HDF securities of \$1.78	To 3 month VWAP* of HDF securities of \$1.66	To PPA offer of \$2.325
\$4.46 Lowest closing price since 14 Dec 2011	\$1.74	\$0.62	\$2.36	32.8%	42.3%	1.5%
\$4.60	\$1.79	\$0.62	\$2.41	35.9%	45.6%	3.8%
\$4.80	\$1.87	\$0.62	\$2.49	40.3%	50.3%	7.2%
\$4.85 Closing price on 8 Aug 2012	\$1.89	\$0.62	\$2.51	41.4%	51.5%	8.0%
\$4.86 5 day VWAP**	\$1.89	\$0.62	\$2.51	41.6%	51.7%	8.2%
\$4.98 3 month VWAP**	\$1.94	\$0.62	\$2.56	44.2%	54.5%	10.2%
\$5.00	\$1.95	\$0.62	\$2.57	44.7%	55.0%	10.5%
\$5.20	\$2.03	\$0.62	\$2.65	49.1%	59.7%	13.9%
\$5.27 Highest closing price since 14 Dec 2011	\$2.06	\$0.62	\$2.68	50.6%	61.4%	15.1%

* VWAP of HDF securities is on 13 December 2011 – the day before APA announced its initial takeover offer.

** VWAP of APA securities is on 8 August 2012 – the day before APA announced its improved takeover offer.

APA's improved offer will not be reduced for any HDF distributions paid since the initial offer was announced on 14 December 2011. However, the value of the offer will be reduced by the amount of any HDF distribution which is paid to HDF securityholders after 8 August 2012.